

CITY OF *Alexandria* VIRGINIA

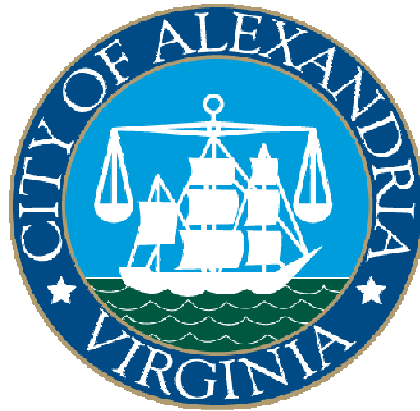


FY 2010 Proposed Budget



M A N A G I N G F O R R E S U L T S

**FY 2010 Budget Work Session
Real Estate Assessments, Taxes,
Fees, and Other Revenues
February 11, 2009**



City of Alexandria

Taxes, Fees, and Other Revenues

Revenues Overview

Millions of Dollars

	FY 2009 Approved	FY 2009 Projected	FY 2010 Proposed	%Change 09 Approved/ 10 Proposed*
Real Property Taxes	\$293.6	\$292.8	\$291.0	-0.9%
Other taxes	157.0	151.4	149.4	-4.8%
Non-tax revenue	32.0	26.8	28.7	-10.5%
Federal & State Revenue	52.8	53.3	52.6	-0.3%
Prior Year Surplus & Transfers	6.6	6.6	2.6	-60.6%
Total	\$542.0	\$531.0	\$524.3	-3.3%

* The total change from FY 2009 Projected Revenues is -1.3%.

- Assuming an increase of 4.2 cents in the real property tax rate, total FY 2010 General Fund revenues are expected to decrease 3.3%
- FY 2009 revenues are projected to be approximately \$11 million less than the FY 2009 Approved budget, assuming the tax rate increase of 4.2 cents.

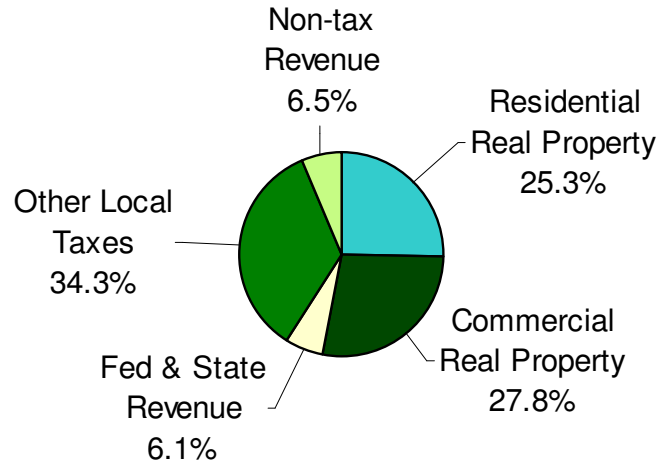


City of Alexandria

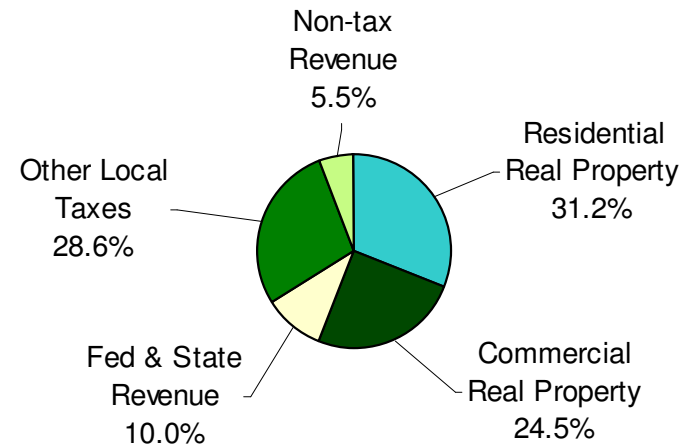
Taxes, Fees, and Other Revenues

Revenues Overview

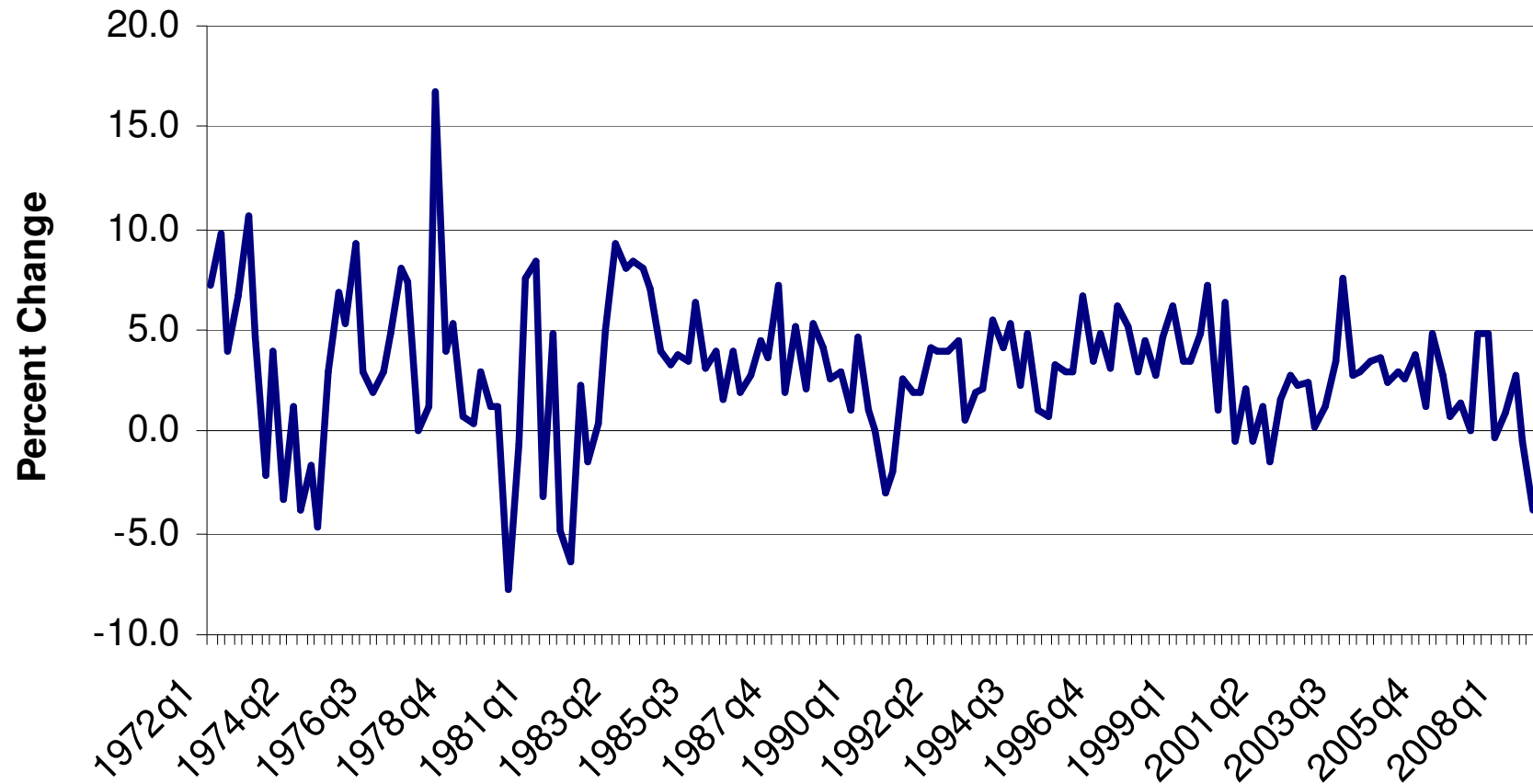
FY 1991 General Fund Revenue
\$221.7 million*



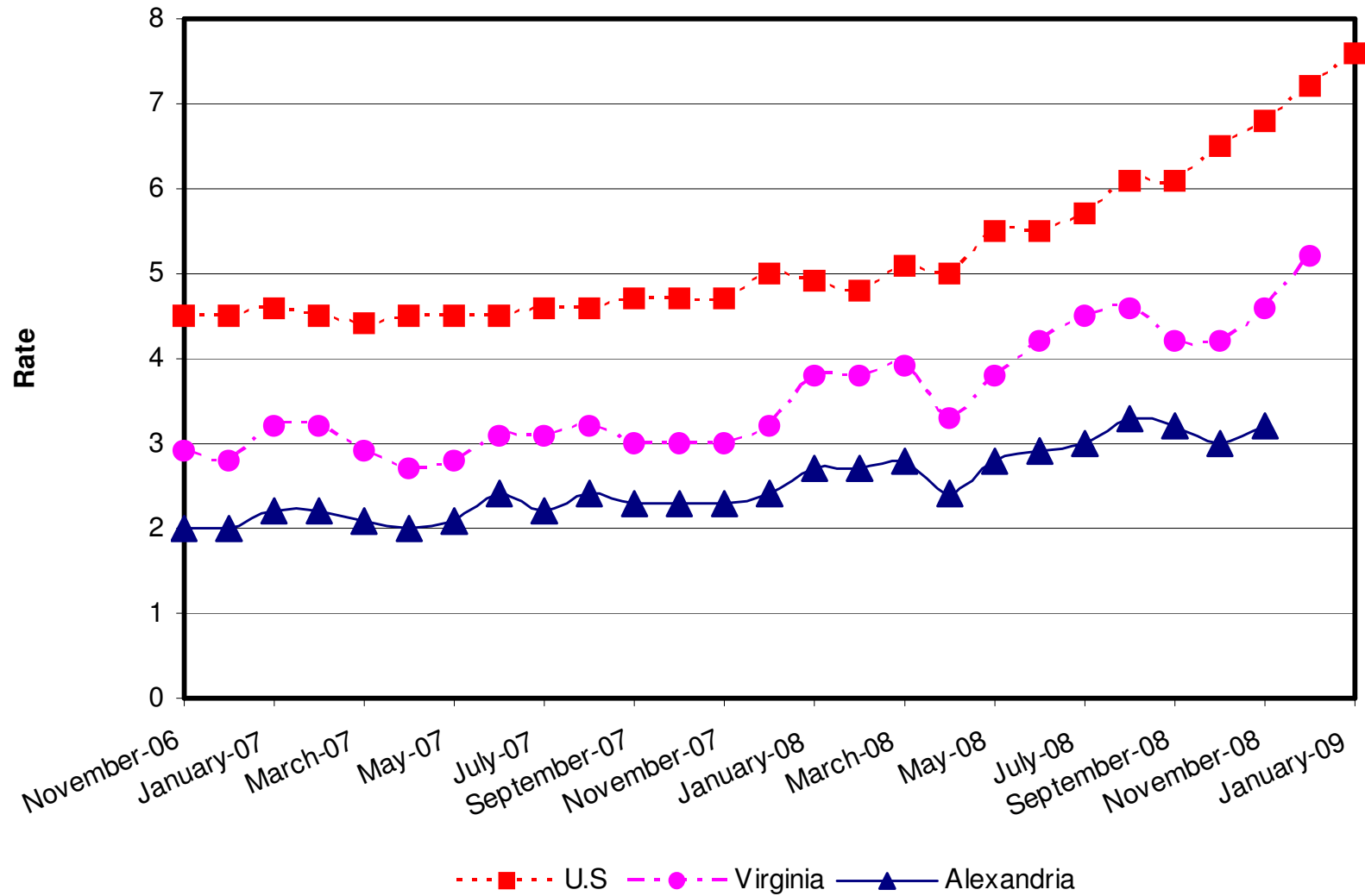
FY 2010 Proposed General Fund Revenue
\$521.7 million*



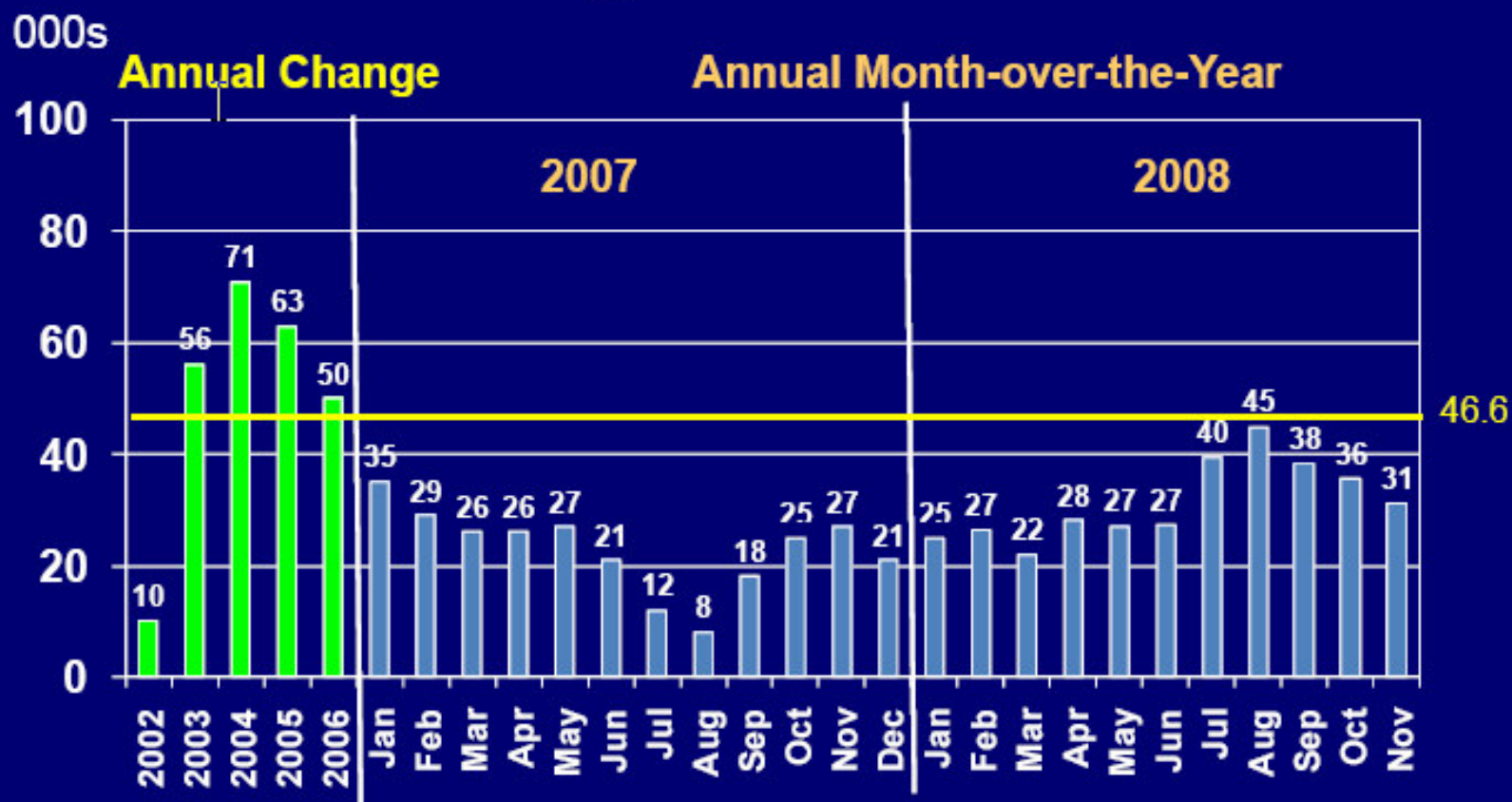
GDP Change by Quarter 1972- q4 2008



Unemployment Rates - US, Virginia and Alexandria



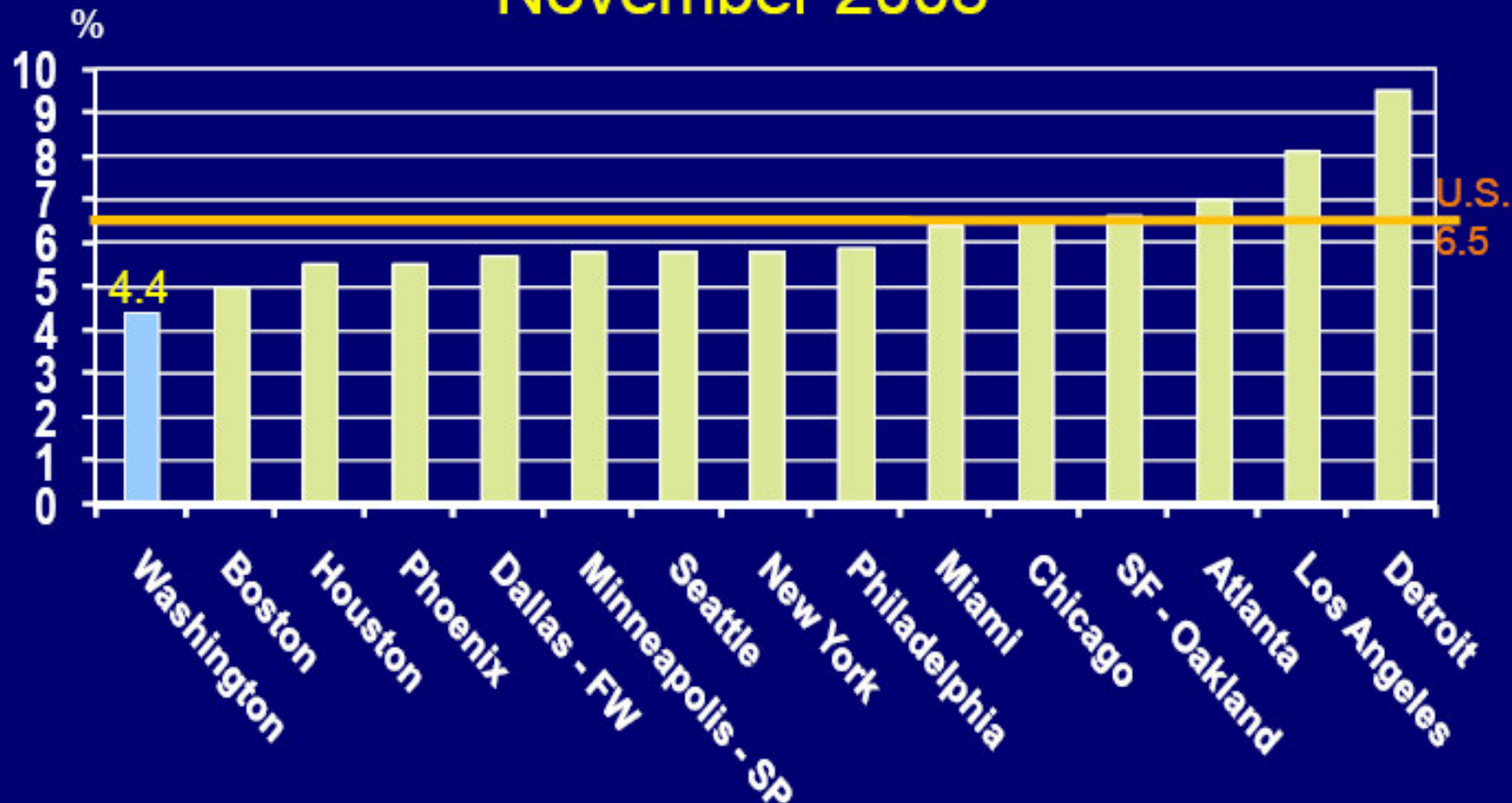
Annual Job Change Washington Metro Area



Source: BLS, GMU Center for Regional Analysis



15 Largest Job Markets Ranked by Unemployment Rate November 2008

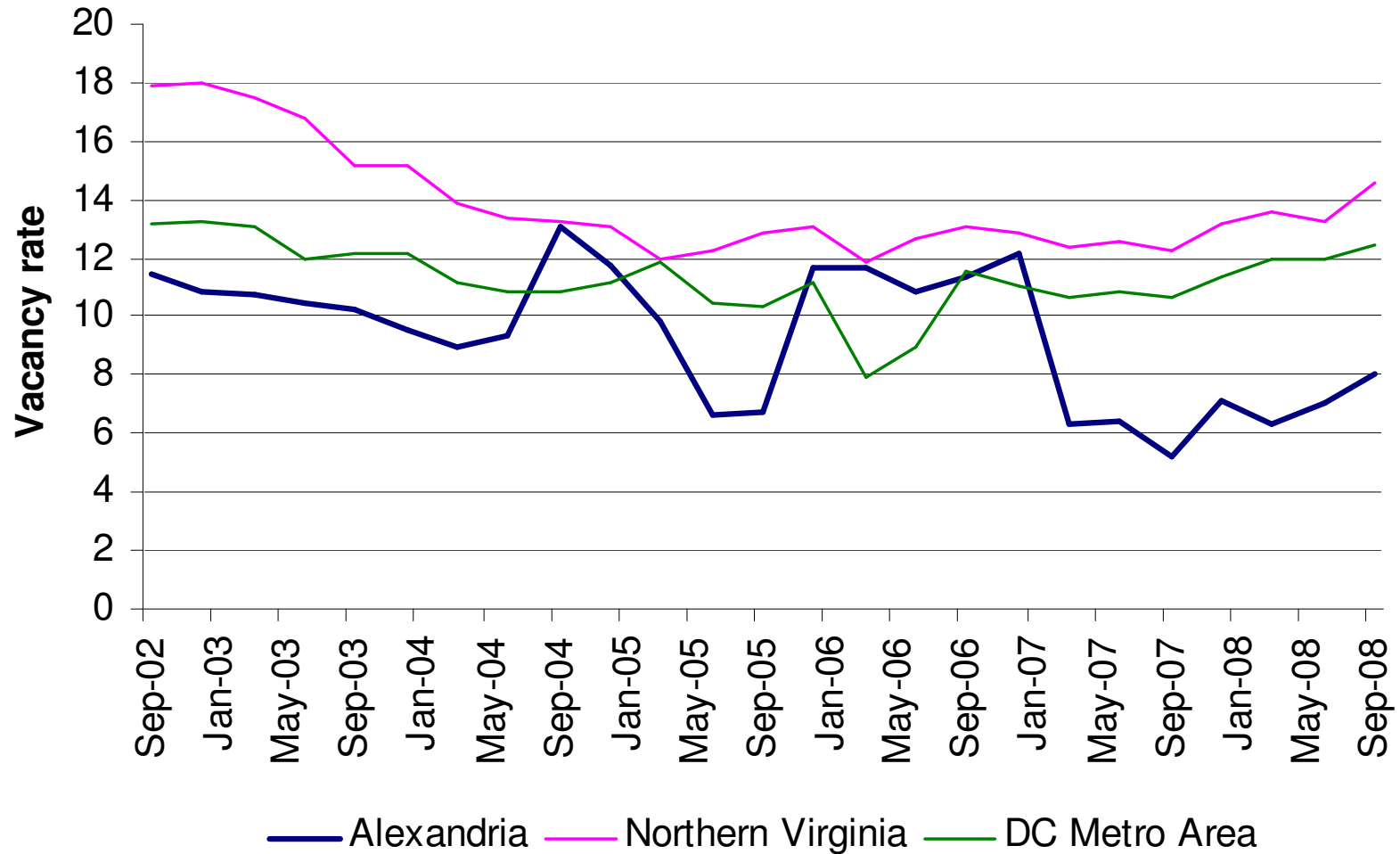


Source: BLS, GMU Center for Regional Analysis

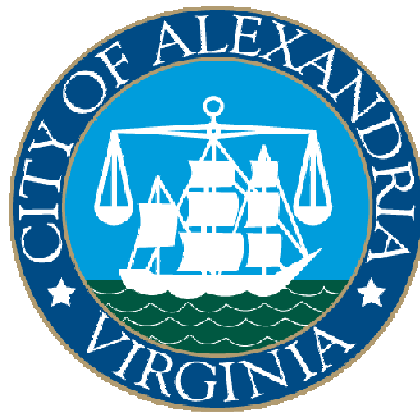
Data not seasonally adjusted



Office Vacancy Rates q3 2002- q3 2008



**FY 2010 Budget Work Session
Real Estate Assessments
February 11, 2009**



City of Alexandria

Taxes, Fees, and Other Revenues

CY 2009 Overall Real Property Assessment Changes

- Real Property assessments decreased 2.06% or \$723.7 million
- \$992.1 million was due to depreciation
- \$268.4 million was new growth

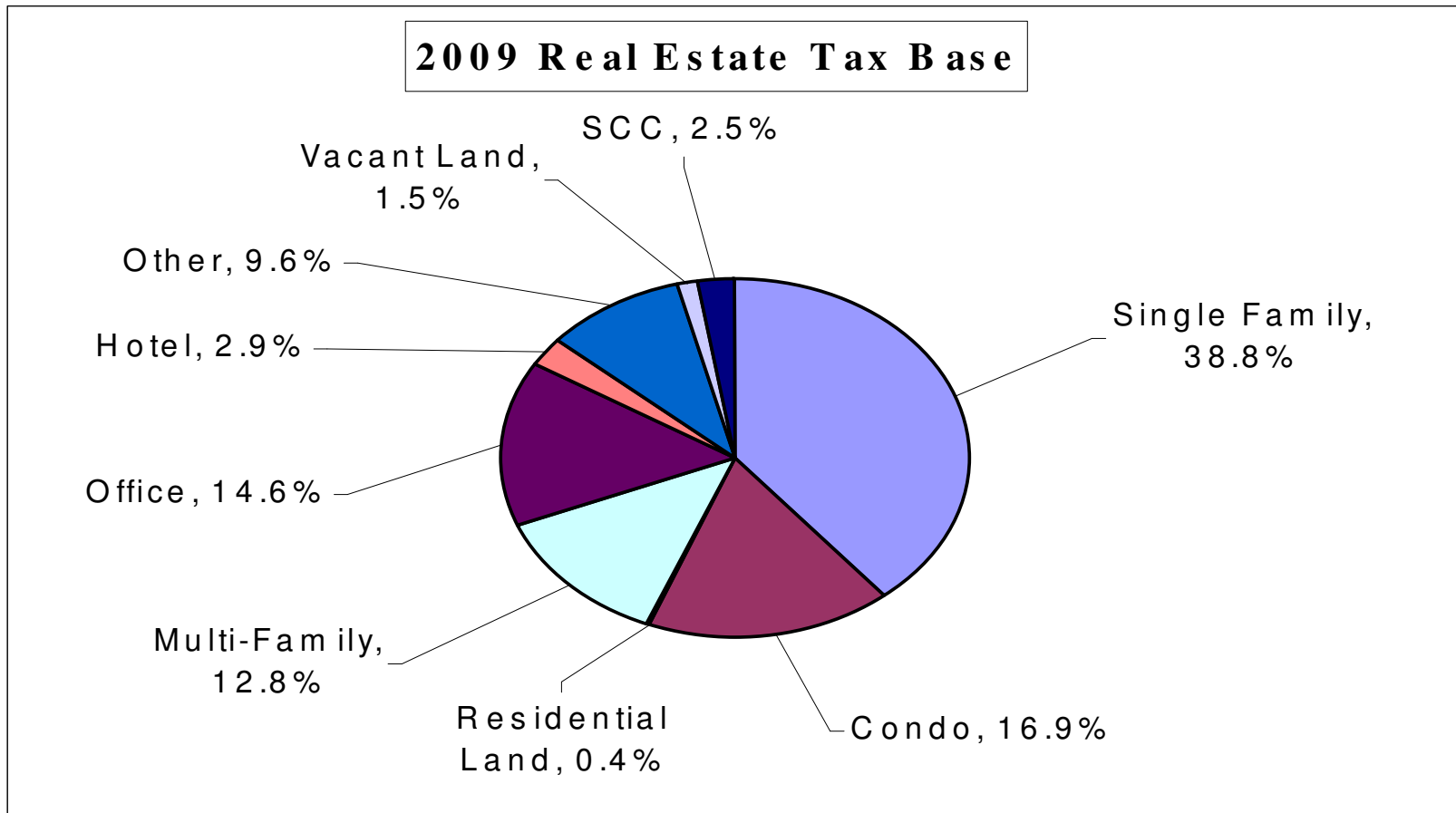


CY 2009 Overall Changes (cont'd)

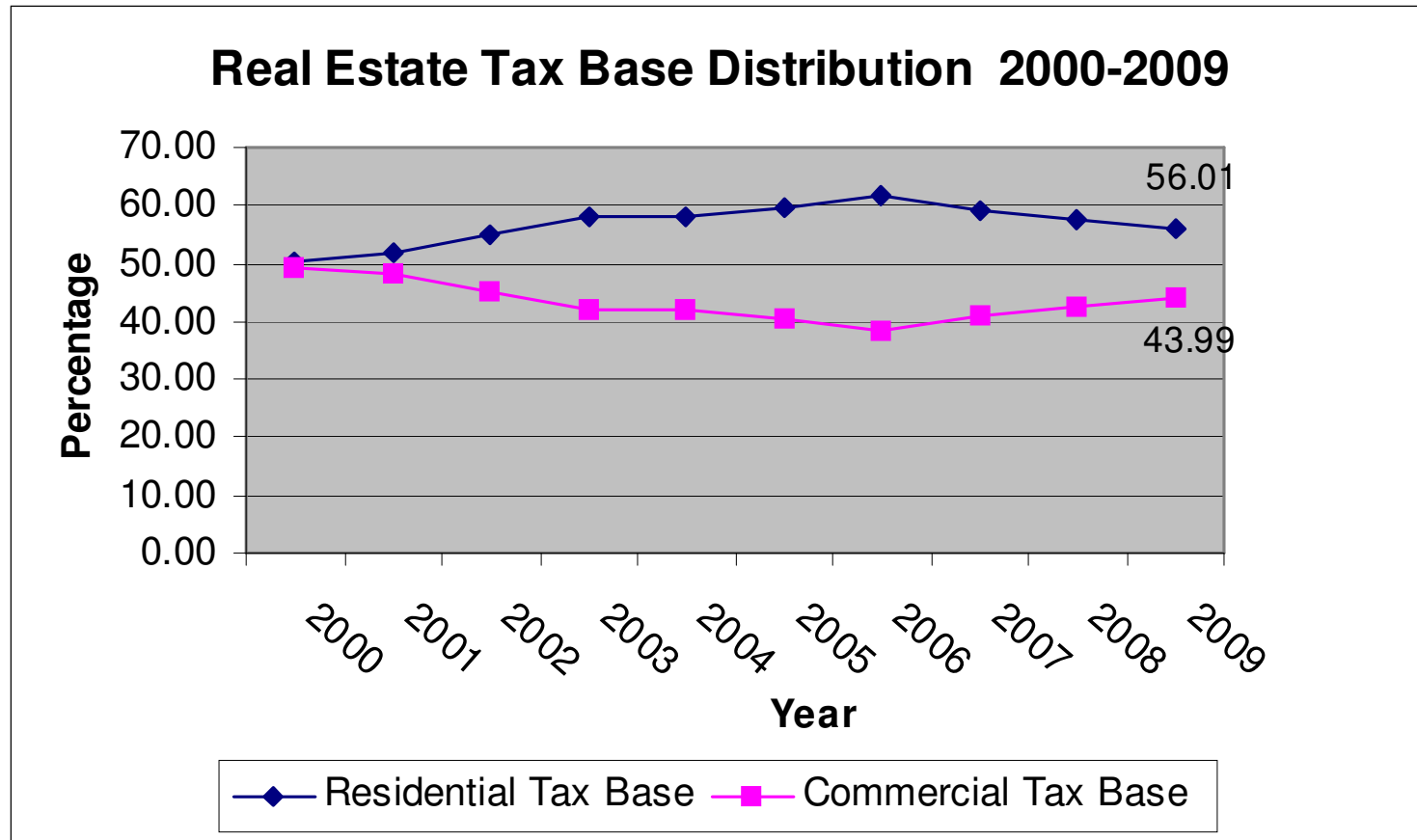
- Residential Tax Base - 4.4%
- Commercial Tax Base + 1.2%
- SCC Tax Base - 1.7%
- New Growth + 0.8% or \$268.4m



Real Estate Tax Base



Real Estate Tax Base Distribution CY 2000 to CY 2009

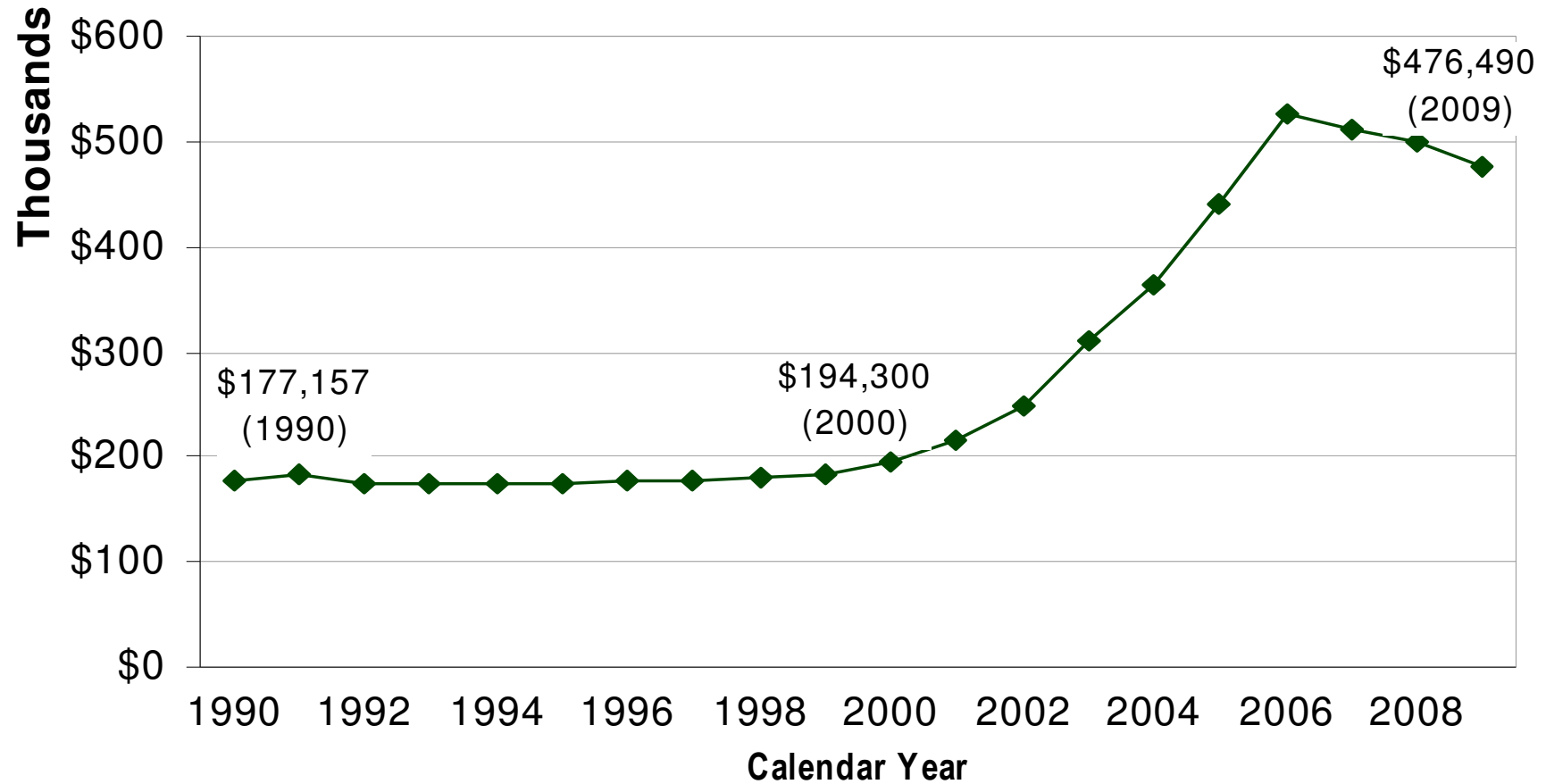


CY 2009 Residential Property

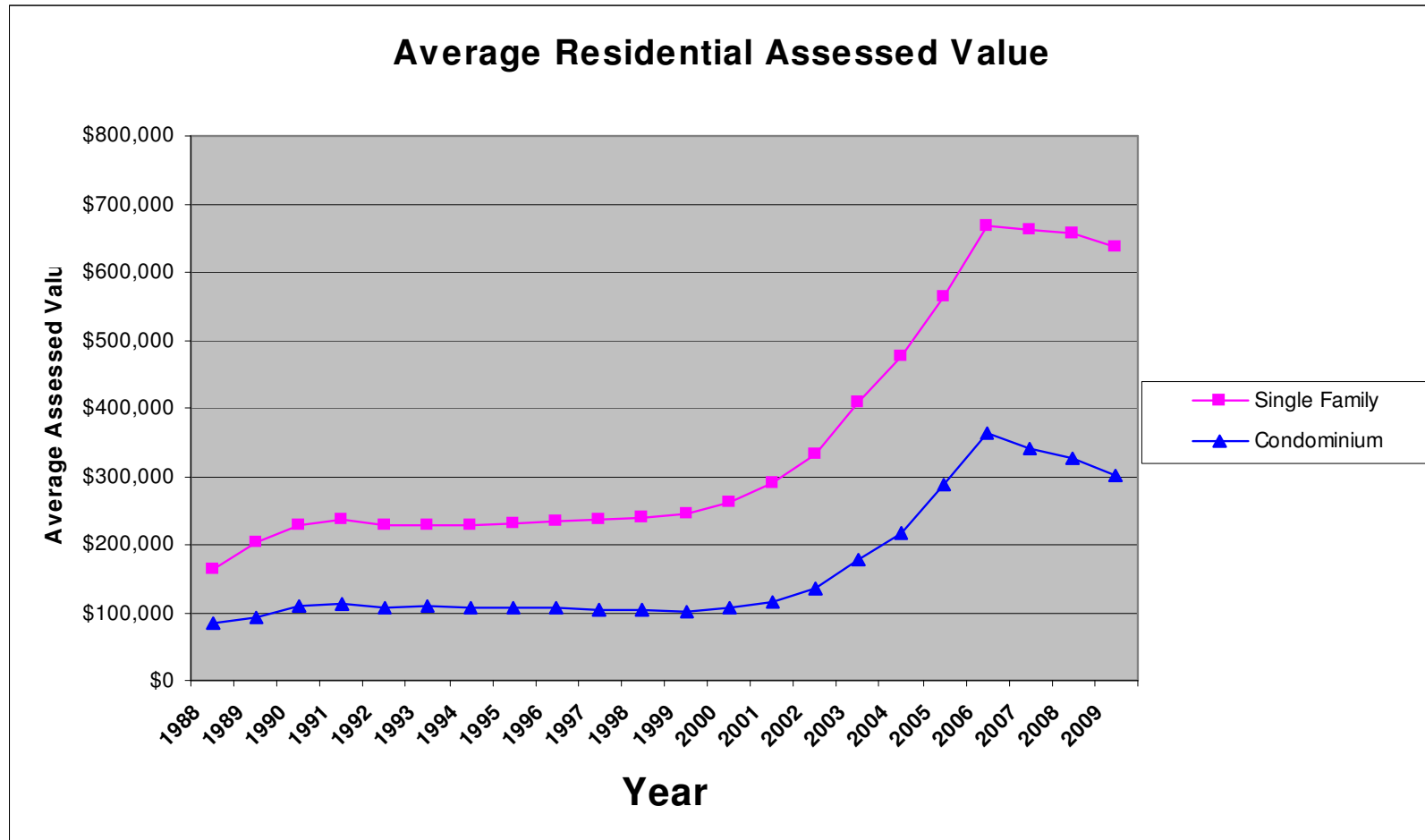
- Residential properties decreased by 4.4%
- Average SF & Condo \$476,490 - 4.8%
- Average SF \$637,154 - 3.5%
- Average Condo \$301,718 - 7.6%



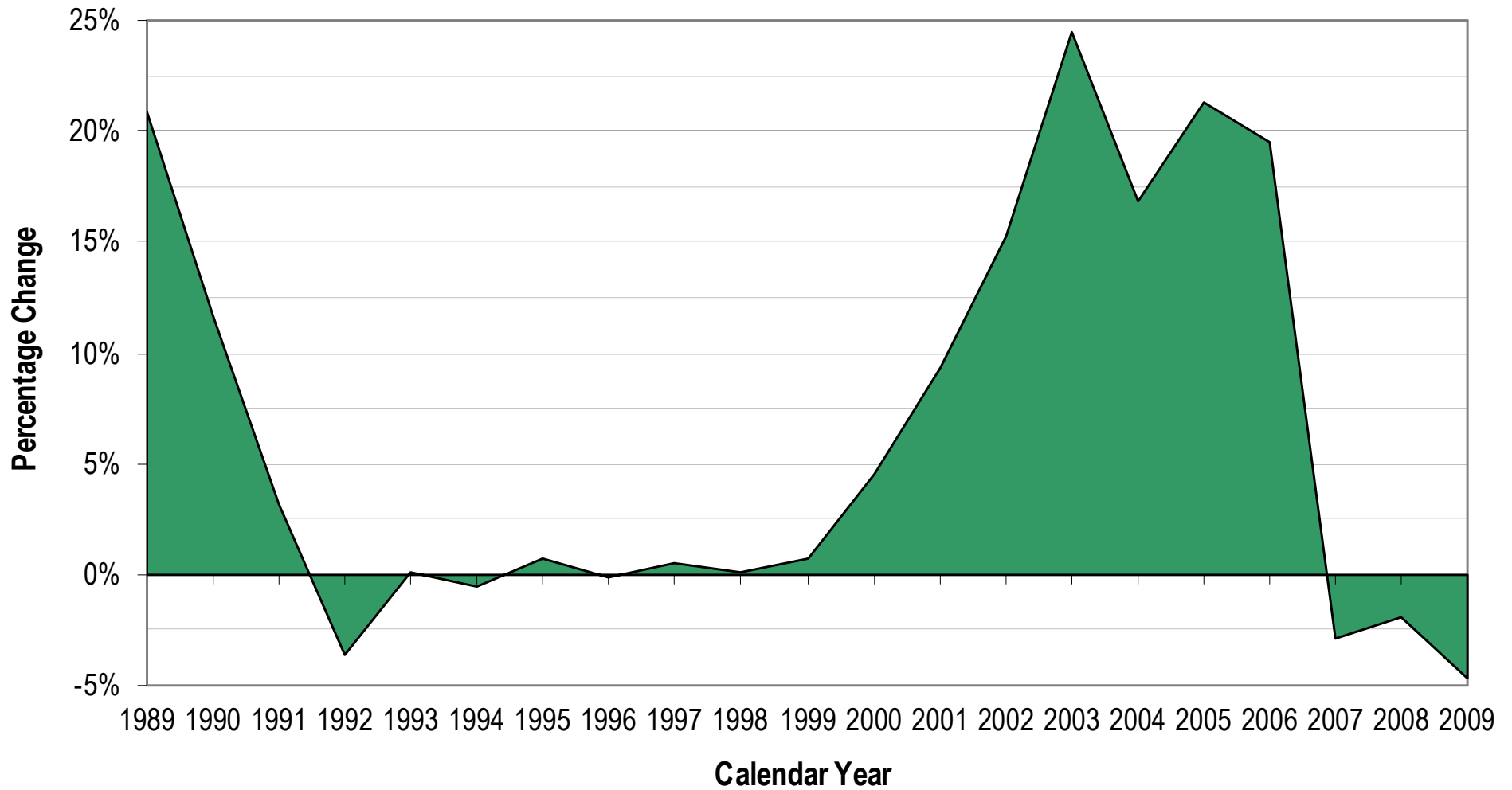
Average Residential Assessed Value Since 1990



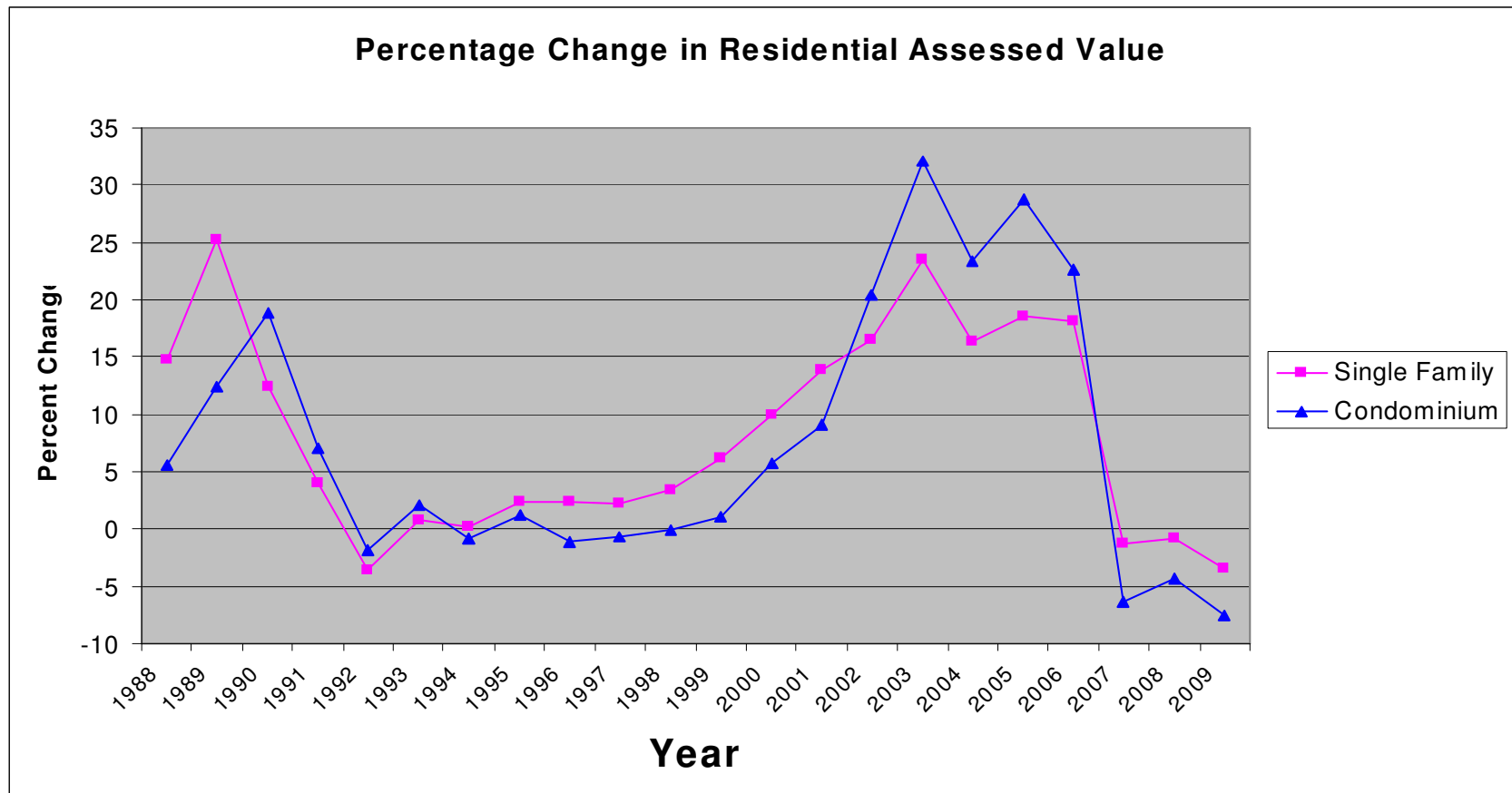
Average Residential Assessed Value



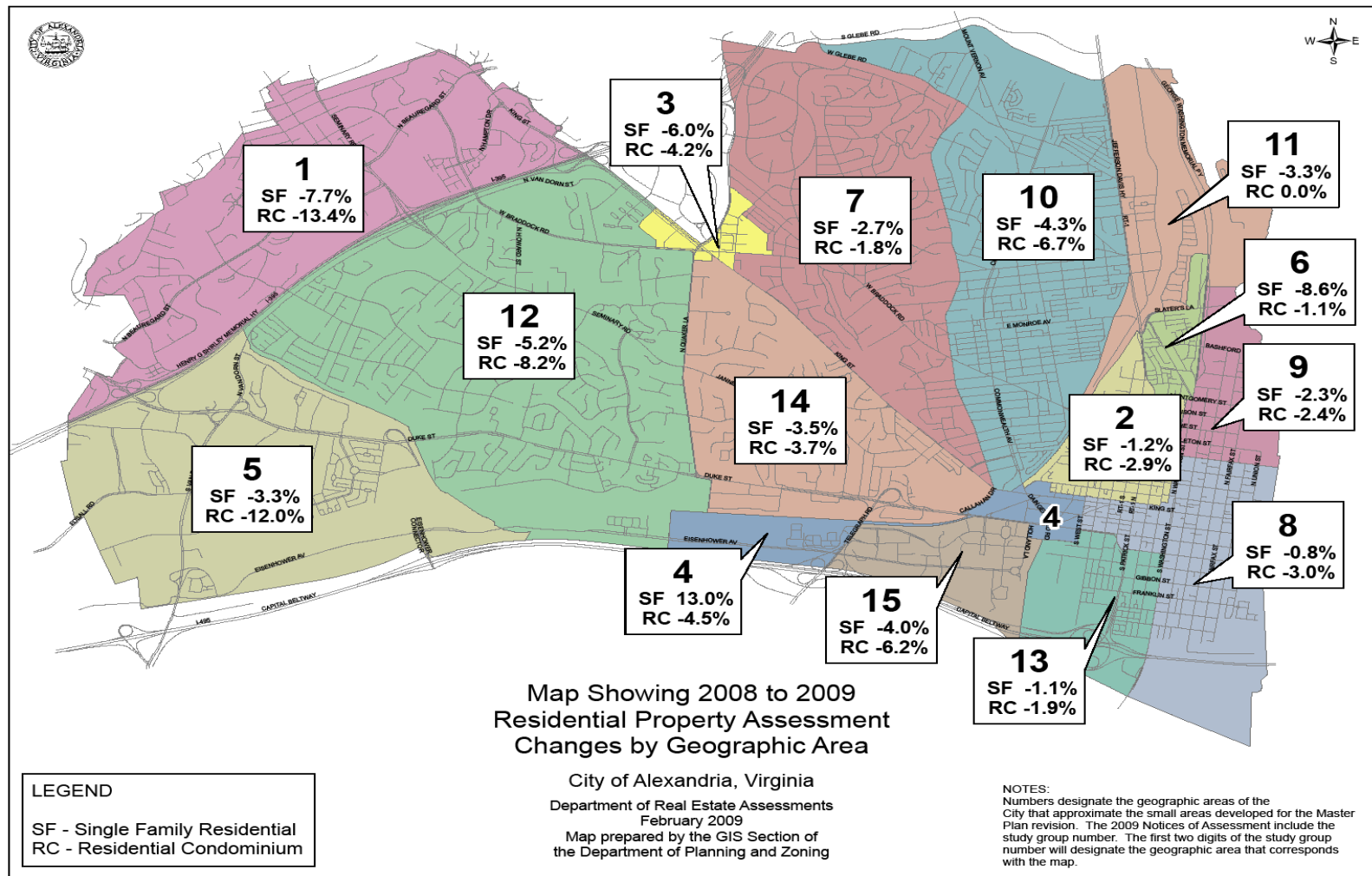
Residential Appreciation % Change Calendar Year 1989 to 2009



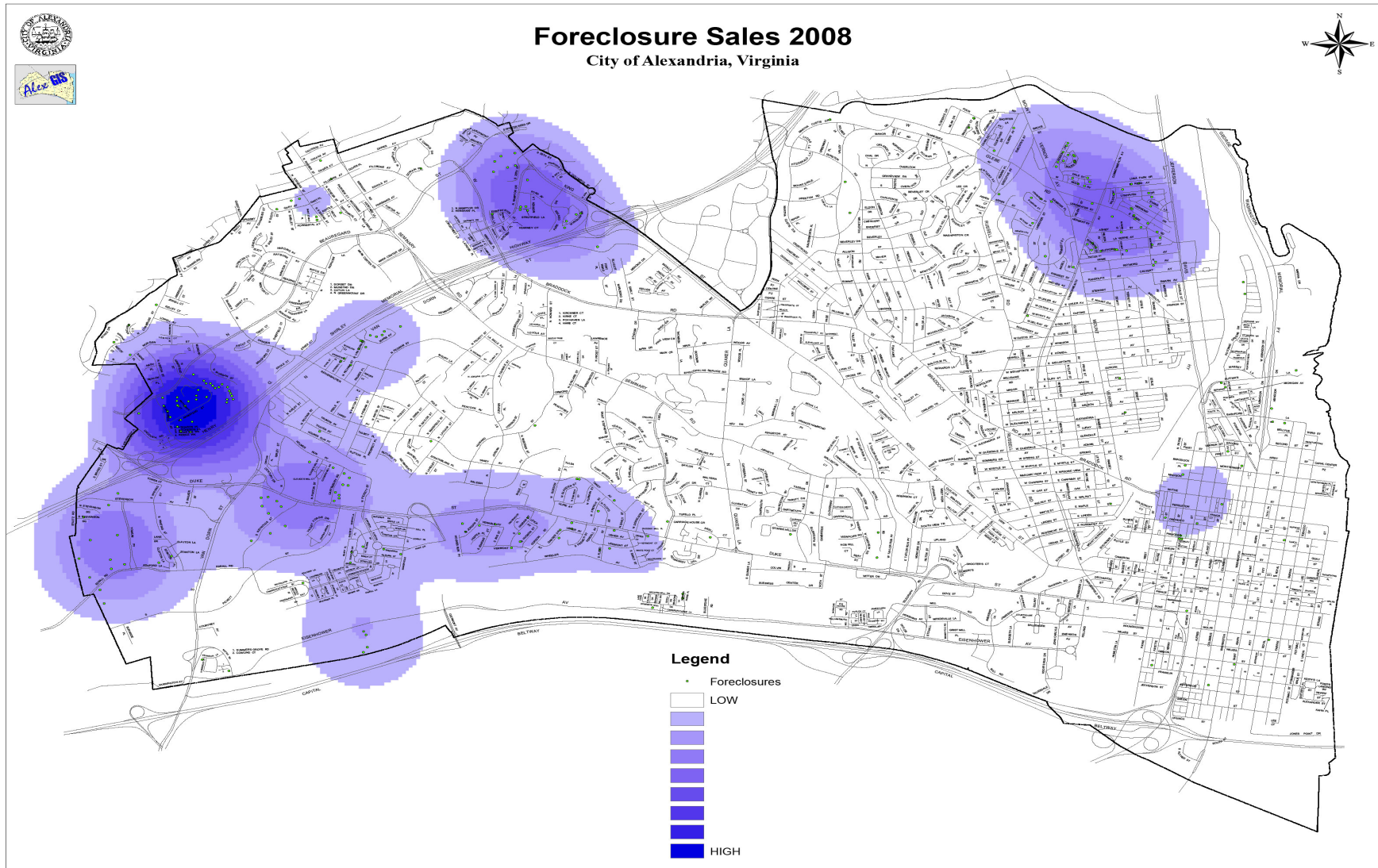
Percentage Change in Residential Assessed Value



2008 to 2009 Residential Property Value Change by Geographic Area



Foreclosure Map



CY 2009 Commercial Property

- Commercial tax base increased + 1.2%
- Commercial properties decreased - 0.2% on average
- New construction \$204 million

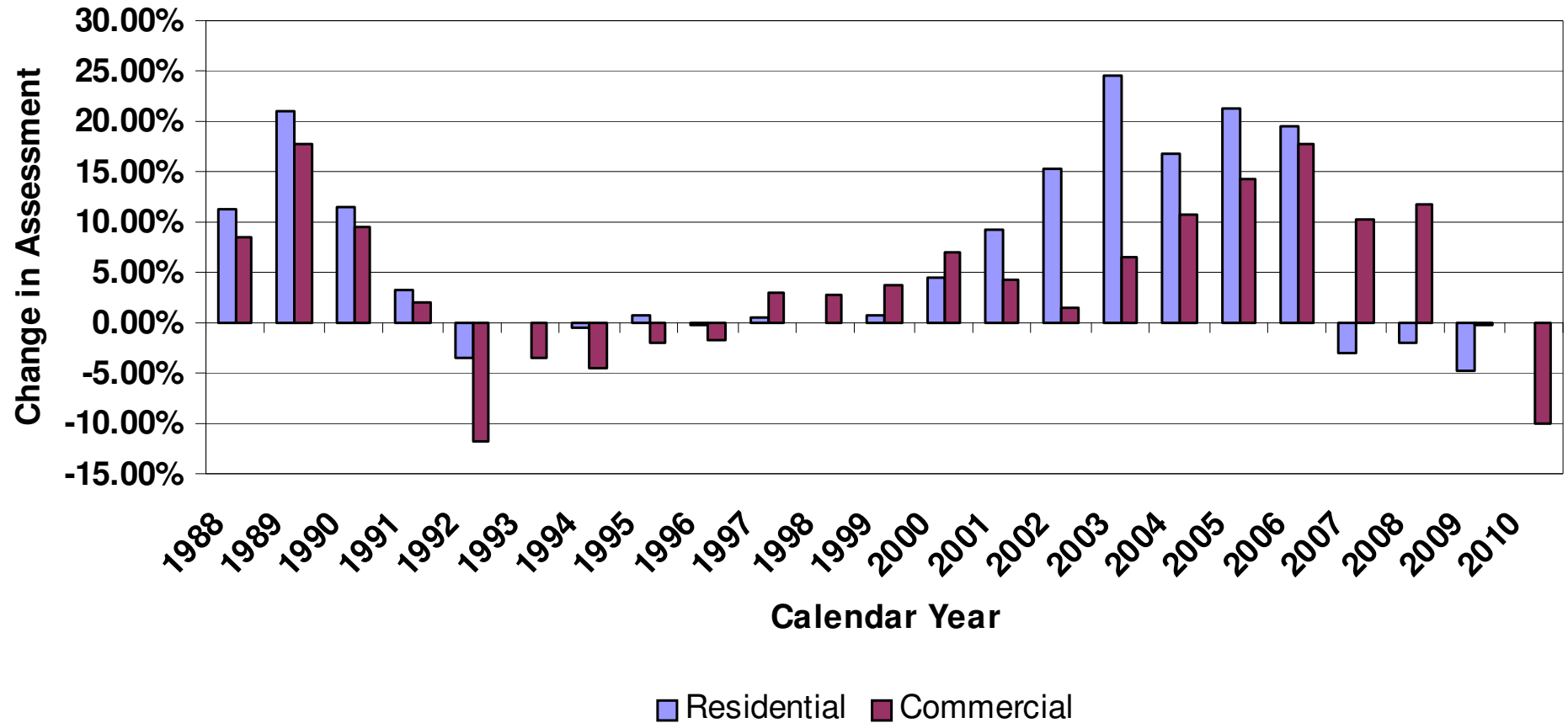


Where does real estate go from here...

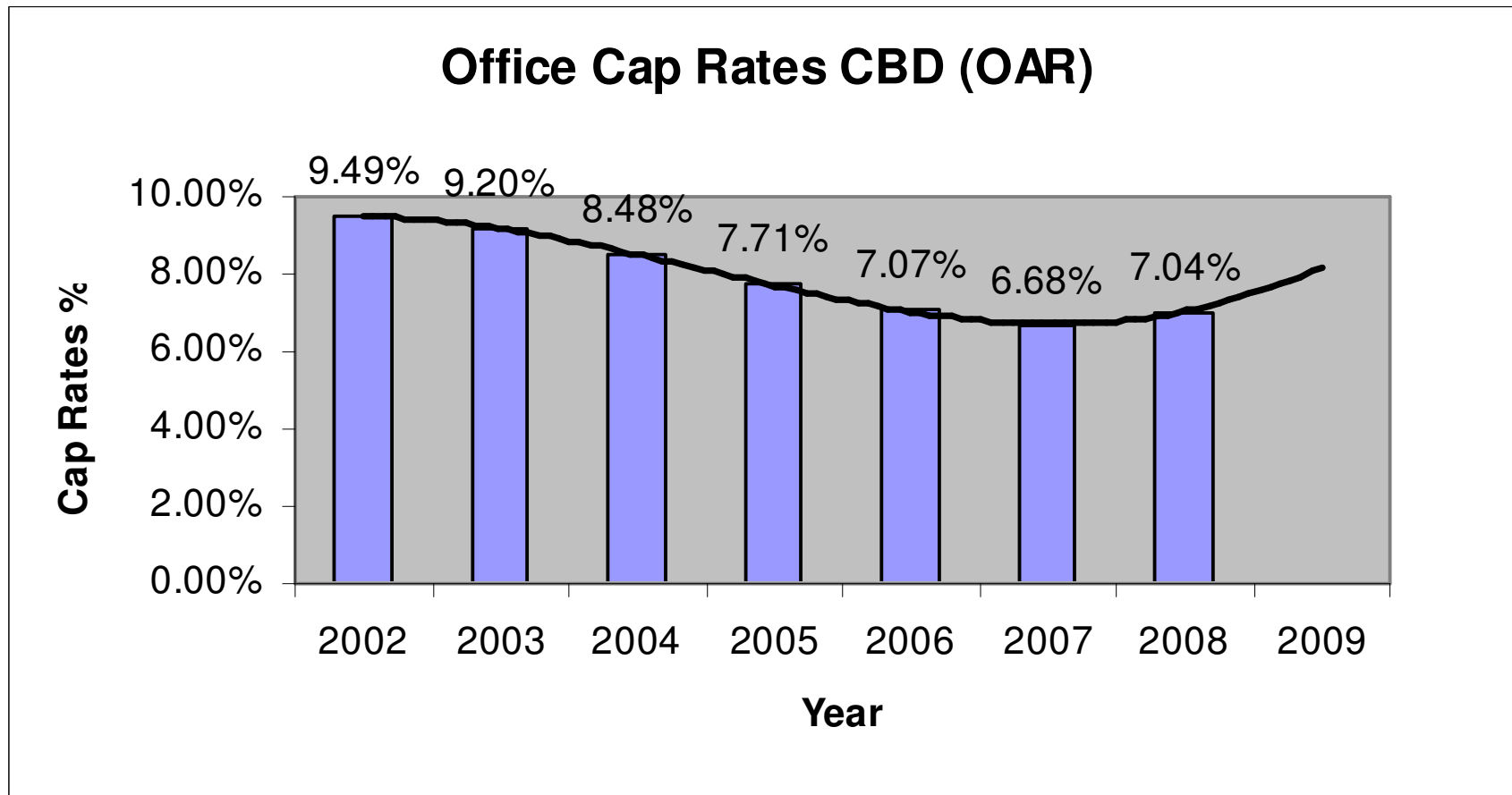


Appreciation

Commercial & Residential 1988-2010



Capitalization Rate Trends 2002-2008



Forget the Quick Fix

- Growing Pessimism – Commercial markets will suffer through a significant correction.
- Lender Distress – Continuing shock waves emanating from the commercial market correction will erode market confidence further and discourage investing until players can be relatively certain the bloodletting is over.



Forget the Quick Fix

- No deal – real estate owners are focusing on holding on through the “rough sledding.” The best bet is to ride out the cycle.
- Rising Cap Rates – Cap rates needed to increase. We estimate a possible 10 percent value haircut.



No Quick Fix

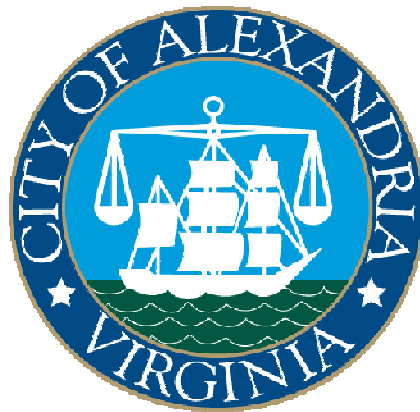
- The downturn looks like a long doubleheader.
- Every day that goes by without economic improvement increases the risk for real estate.



FY 2010 Budget Work Session

Revenue Outlook

February 11, 2009

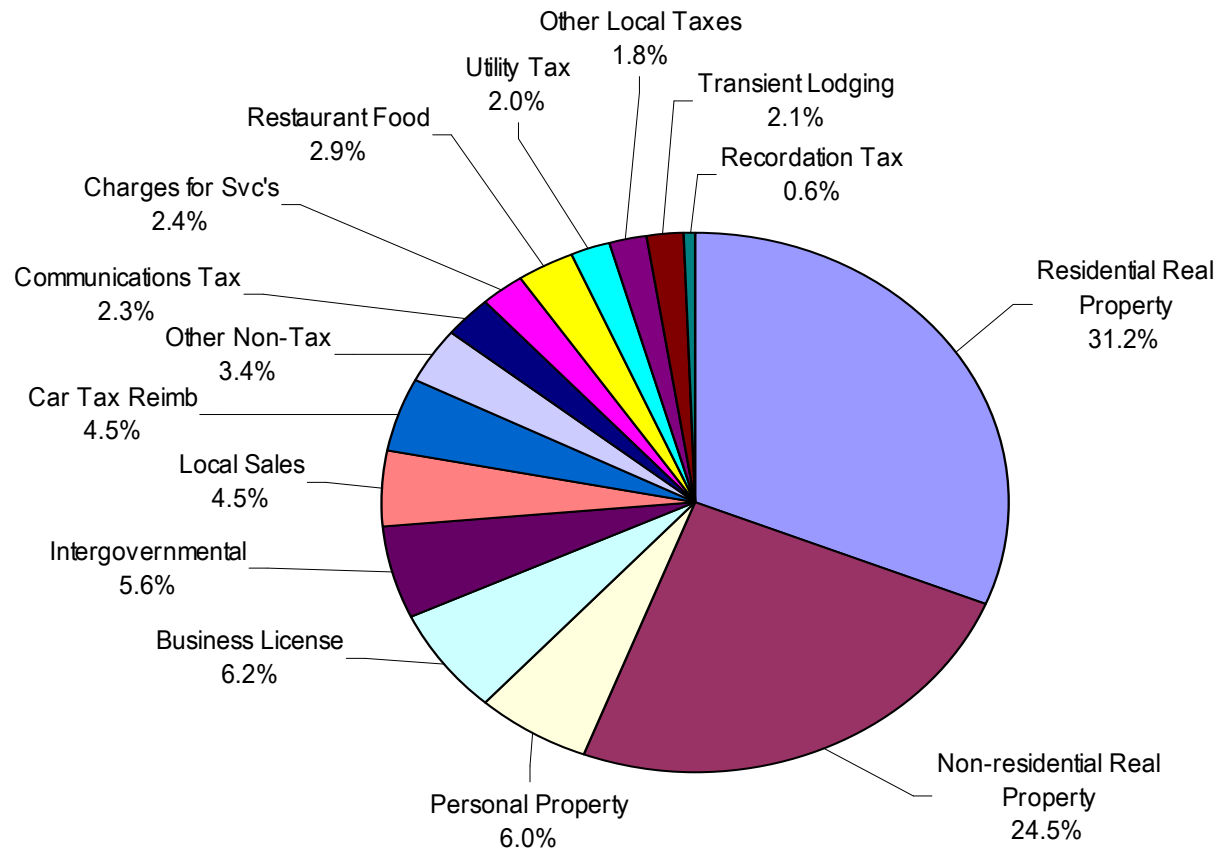


City of Alexandria

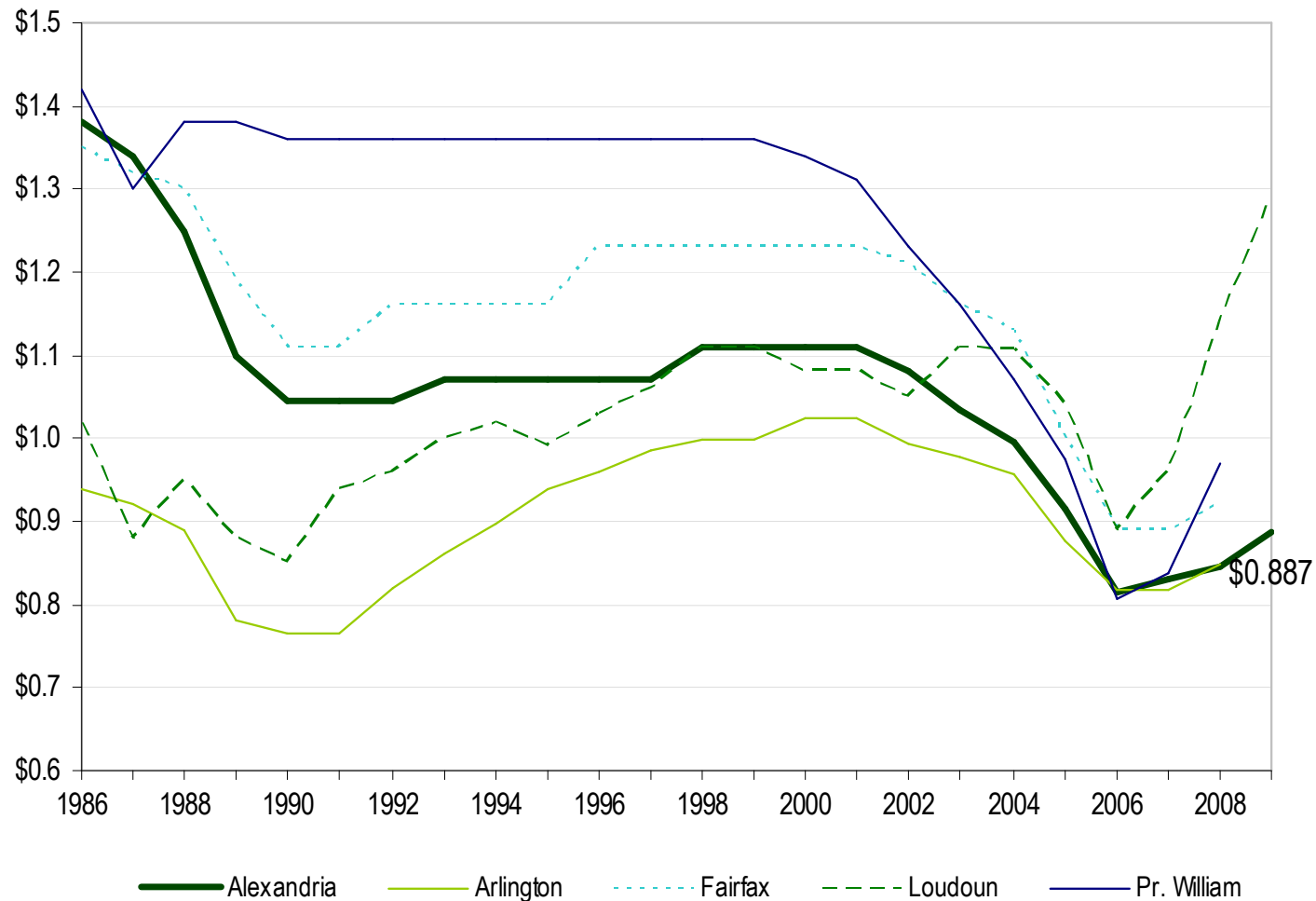
Taxes, Fees, and Other Revenues

General Fund Revenue Distribution

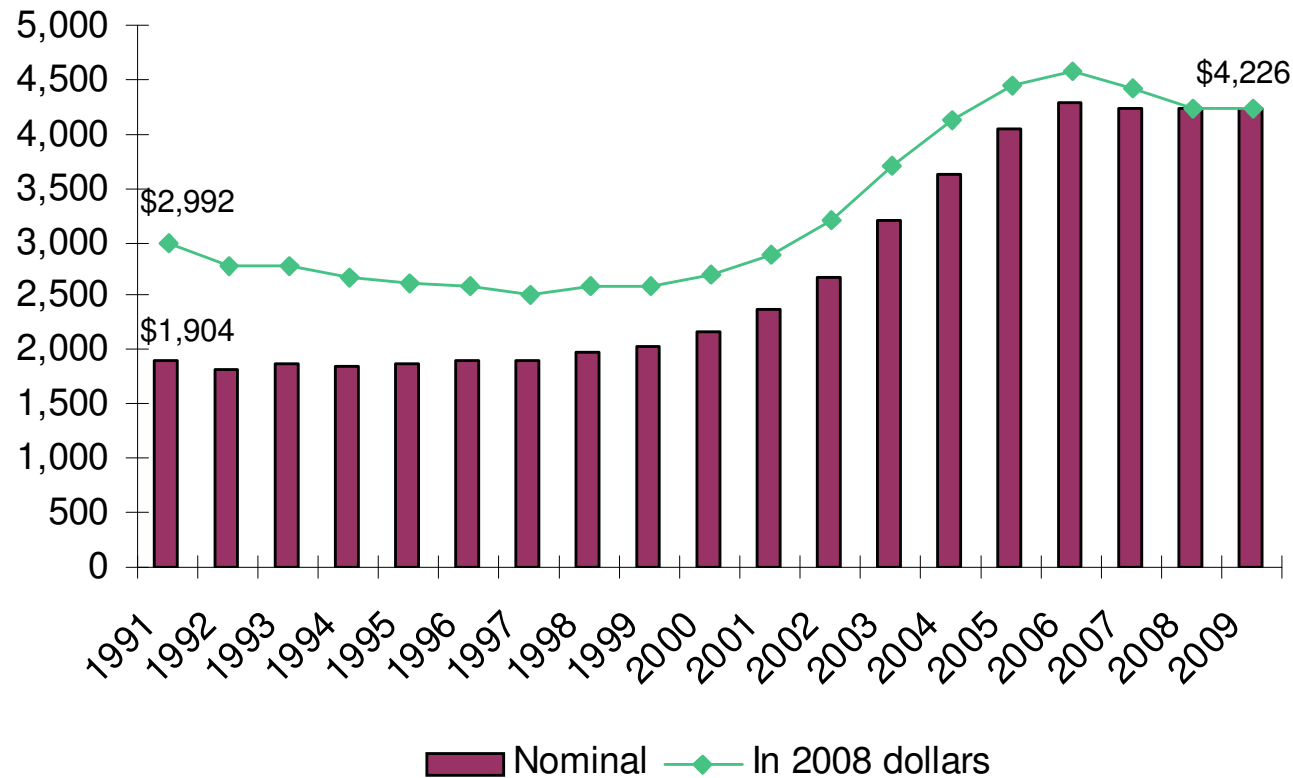
\$524.3 Million



Real Estate Tax Rate In Area Jurisdictions



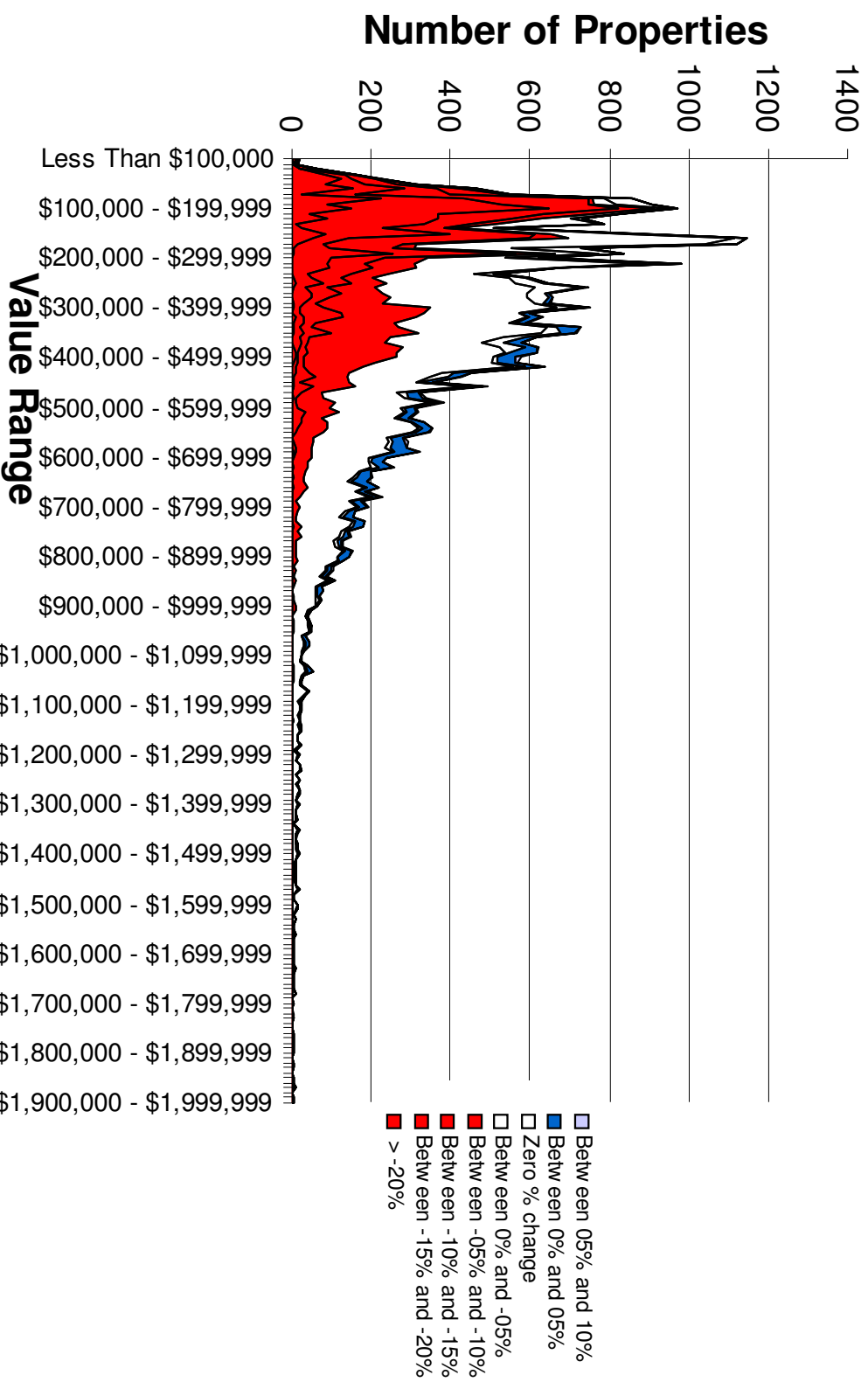
Average Residential Tax Bill 1991-2008



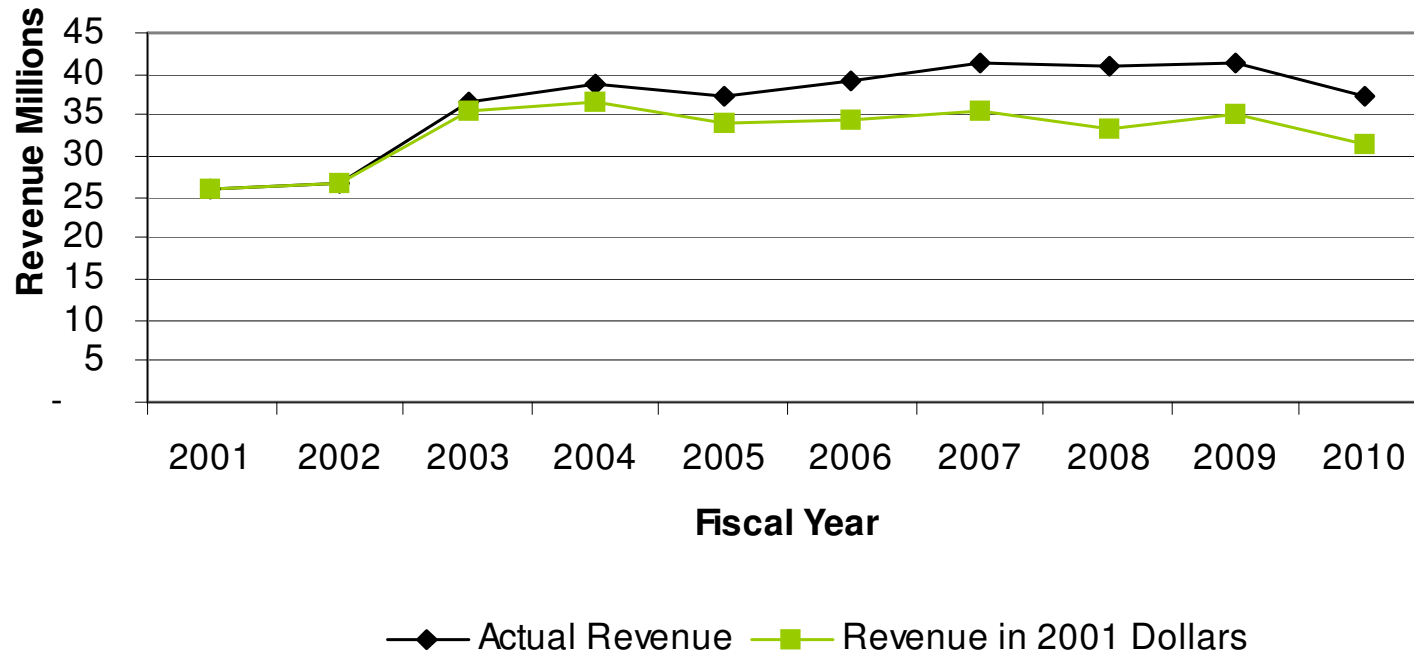
In real terms, the average residential tax bill has decreased by 7.5% since 2006.



Assessment Changes by Value



Vehicular Personal Property Tax Revenue FY 2001 – FY 2010 Proposed

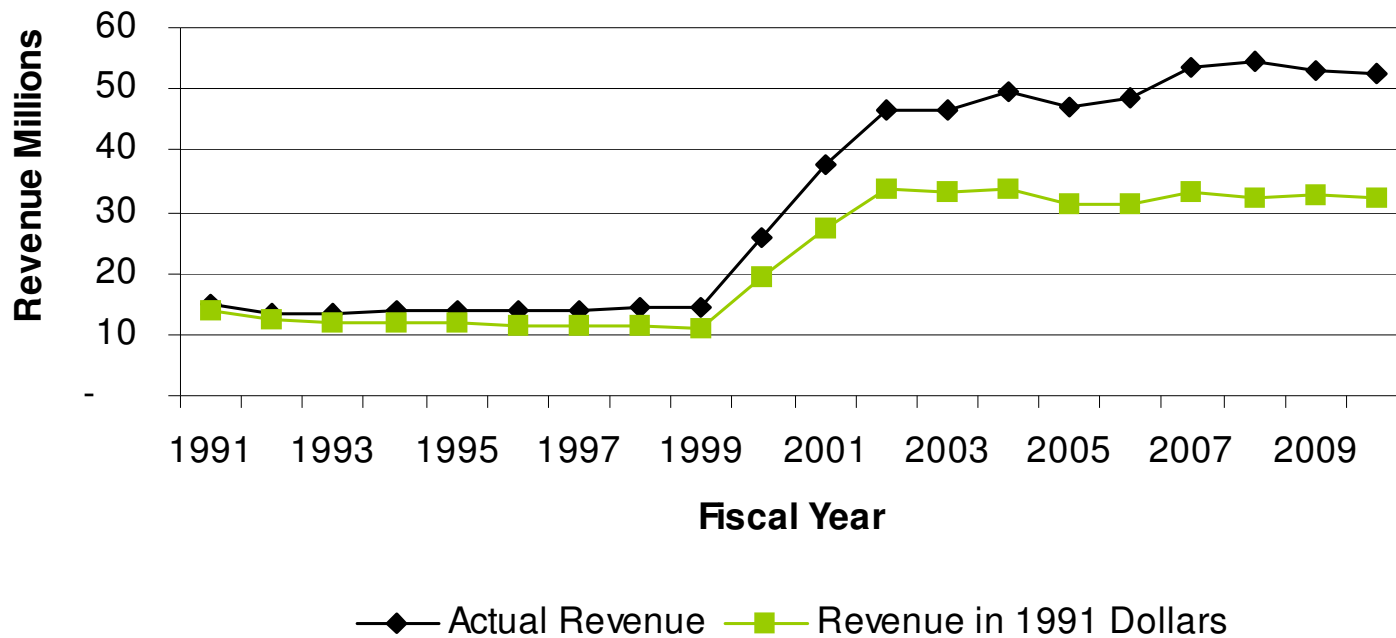


Projected decrease is 9.9% overall based on new car sales declines and the falling values of some SUV's and pickups.

The share of vehicular personal property tax paid by residents (as opposed to the car tax reimbursement) is projected to decrease by 22.9% or around \$36.



Intergovernmental Revenues FY 1991 – FY 2010 Proposed



Projected rate of change: -1.2% from
projected FY 2009



State Aid

Governor's proposals:

HB 599 Law Enforcement revenue decreases 5%

Compensation Board revenues reduced by 7% for Public Safety departments and 10% for other departments

Federal Per Diem Exemption of \$1 million dollars at risk in House of Delegates

	FY 2008 Actuals	FY 2009 Approved	FY 2009 Projected	FY 2010 Proposed
STATE AID				
HB 599 (law enforcement aid)	\$ 6,397,009	\$ 6,397,010	\$ 6,156,548	\$ 5,951,112
Personal Property Tax Reimbursement	23,778,360	23,578,531	23,578,531	23,578,531
Compensation Board Reimbursements for Sheriff and Other Constitutional Officers	7,444,359	7,583,151	7,713,241	7,152,336
Compensation Board Reimbursements for Treasury & Revenue Administration	643,726	702,820	690,034	632,538
State Prisoner Per Diem	907,854	1,000,000	1,000,000	1,000,000
Wine Taxes and Alcoholic Beverage Control (ABC) Taxes	154,033	0	0	0
State Aid for Road Maintenance	6,234,184	6,400,000	6,421,944	6,614,602
Other State Aid	1,143,175	953,500	1,263,500	1,291,500
Less Other Reduction in State Aid	0	-1,050,000	-1,050,000	-1,050,000
TOTAL STATE AID	\$ 46,702,700	\$ 45,565,012	\$ 45,773,798	\$ 45,170,619



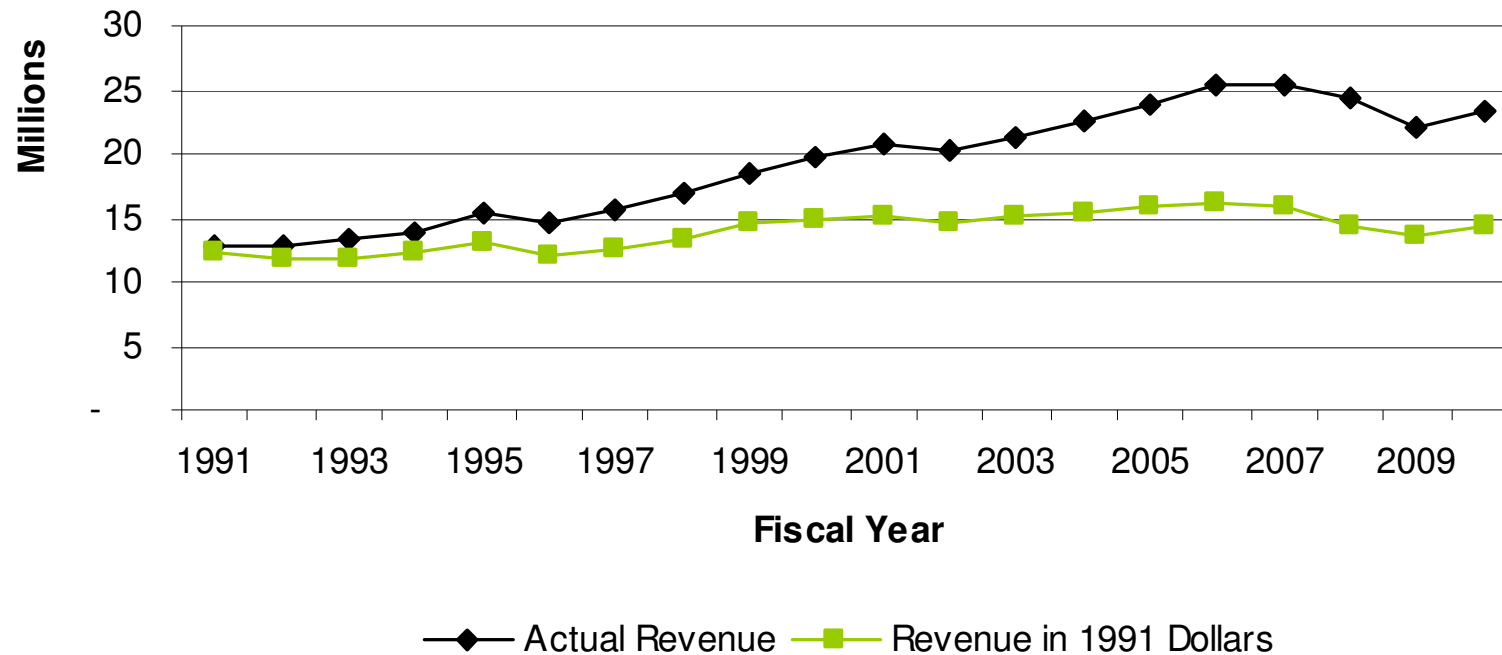
Federal Aid

	FY 2008 Actuals	FY 2009 Approved	FY 2009 Projected	FY 2010 Proposed
FEDERAL AID				
Federal Prisoner Per Diem	\$ 6,710,845	\$ 6,363,000	\$ 6,501,000	\$ 6,448,523
State Criminal Alien Assistance Program	181,666	245,000	197,909	195,000
Other Federal Aid (Including indirect costs recovered from federal grants)	857,754	615,000	821,055	821,000
TOTAL FEDERAL AID	\$ 7,750,265	\$ 7,223,000	\$ 7,519,964	\$ 7,464,523
TOTAL INTERGOVERNMENTAL AID	\$ 54,452,965	\$ 52,788,012	\$ 53,293,762	\$ 52,635,142



Sales Tax Revenues

FY 1991 – FY 2010 Proposed



FY 2009 projections are reduced by \$1.5 million to account for a one-time transfer to Fairfax County for misreported sales tax

FY 2010: no change expected

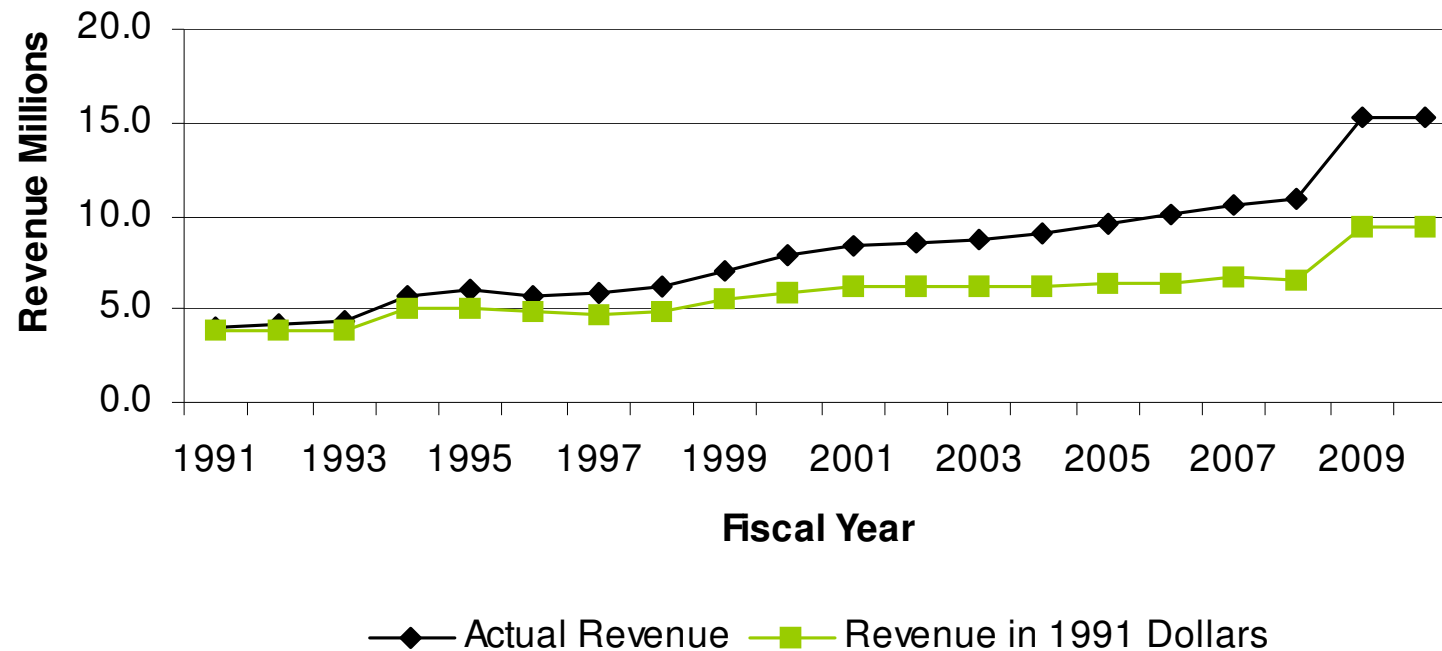


City of Alexandria

Taxes, Fees, and Other Revenues

Restaurant Meals Tax

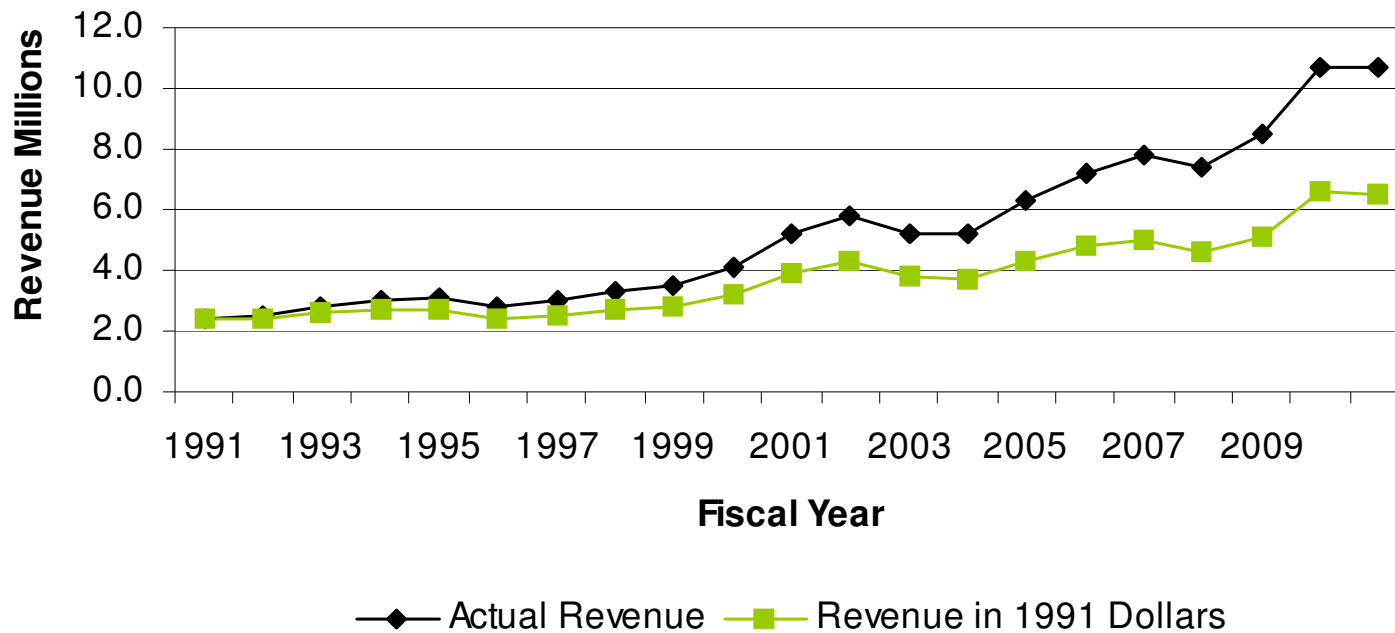
FY 1991 – FY 2010 Proposed



FY 2009 Adjusted for tax increase YTD 3% over last year
FY 2010 = 0.3% increase



Transient Lodging Tax Revenues FY 1991 – FY 2010 Proposed



FY 2009 YTD Occupancy rates flat compared with last year
FY 2010 No revenue change expected



Other Revenues

	FY 2009	FY 2010	Projected Change
Charges for Services	\$ 11,837,149	\$ 12,640,834	6.8%
Licenses, Permits, and Fees	\$ 5,322,000	\$ 5,727,760	7.6%
Revenues from the Use of Money and Property	\$ 4,838,873	\$ 4,959,476	2.5%
Fines and Forfeitures	\$ 4,071,550	\$ 4,552,050	11.8%



New or Increased Fees

Department	Tax Rate/ Fee	Estimated Revenue
Code Enforcement	Estimated revenue increase from increased fees	\$333,000
	Special Event Cost Recovery	\$7,000
Finance	Parking ticket administration fee	\$40,000
	Garnishment administration fee	\$12,000
General Services	Parking Garage fees	\$21,600
Health	Miscellaneous fee increases	\$63,760



New or Increased Fees

Continued

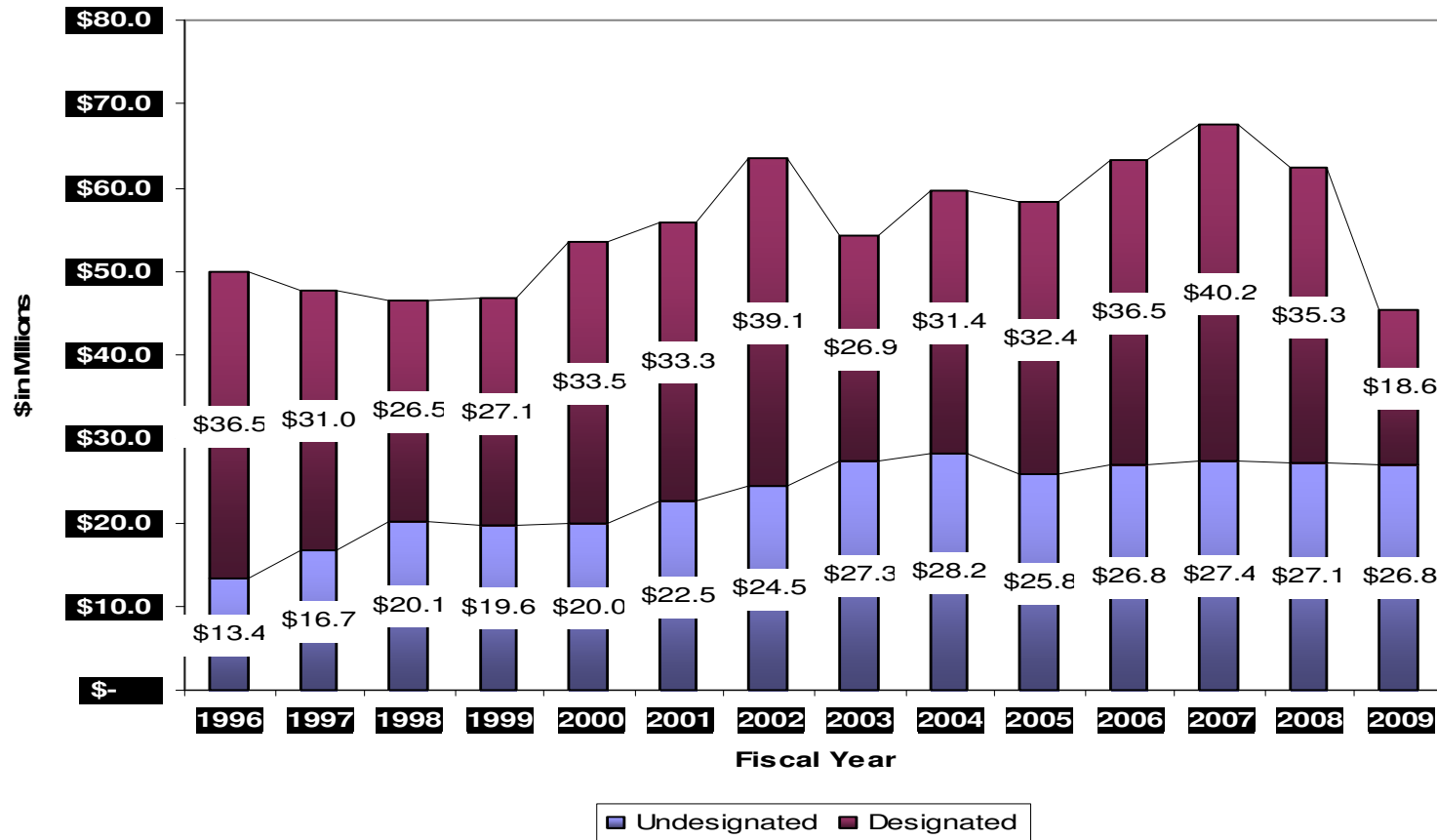
Department	Tax Rate/ Fee	Estimated Revenue
Historic Alexandria	New membership fee structure	\$10,725
Police	Cry Wolf Revenue	\$37,200
	Fine increase for illegally parking in HOV& Handicap	\$40,300
Recreation	Activity fee for after school and summer programs	\$58,181
Transportation & Environmental Service	ROW Permit Fees	\$44,970
	Increase in residential refuse fee	\$287,970
		\$374,652
Total		\$1,331,358 1/
For more details, see the departmental text.		

The following departments reviewed their fees for possible changes during FY 2010 budget cycle:
Code, Finance, Historic Alexandria, Health, Library, Mental Health, Recreation.

1/ This total does not include increases in revenue expected from increased enforcement efforts or increased efficiency in collecting fees and fines. The budget assumes a total of \$1.6 million in increased revenue from fines, fees, and user charges.



**City of Alexandria
Unreserved End of Year Fund Balance**



\$2 million is designated in FY 2010 as a revenue shortfall Reserve in case actual revenues do not meet projections.

Surpluses in FY 2009 resulting from an increase in the CY 2009 tax rate would be added to reserve.

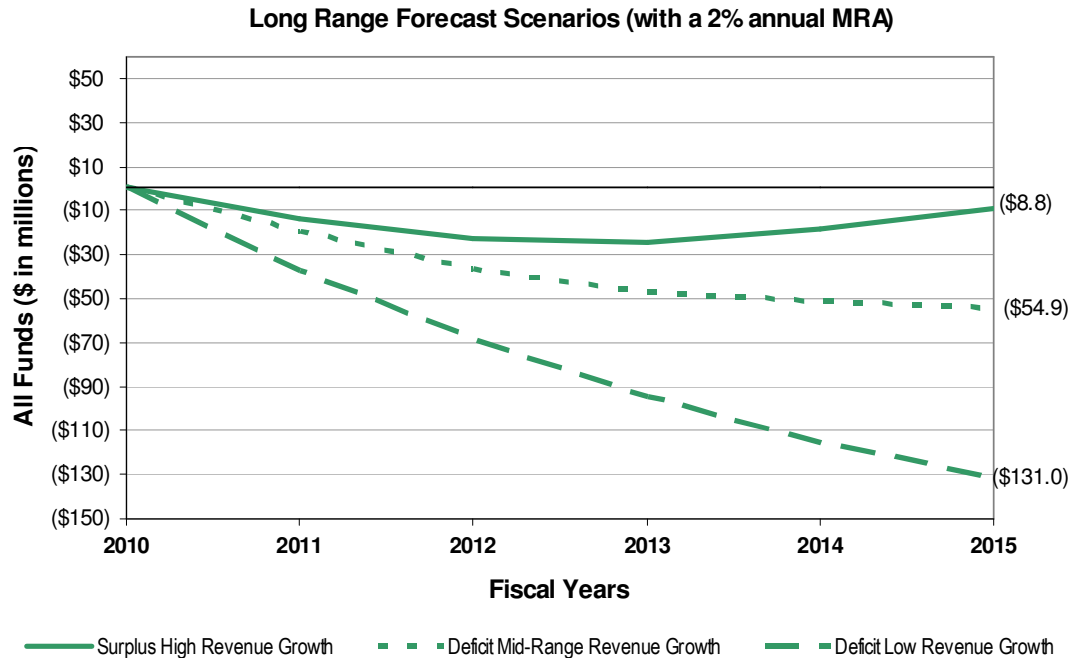


Fund Balance

- Total Unreserved Fund Balance at end of FY 2009 \$45.4 million.
- Below 8.5% of General Fund Revenues, the financial policy guideline is no lower than 10%
- Appropriate financial response to current recession-caused revenue shortfall
 - Overall financial strength
 - Strength of undesignated fund balance
 - Alexandria's economic strength
- Caused by draw-downs for:
 - Non-retirement post employment benefits \$4.2 million
 - Capital projects \$7.4 million
 - FY 2009 Operating Budget \$4.6 million



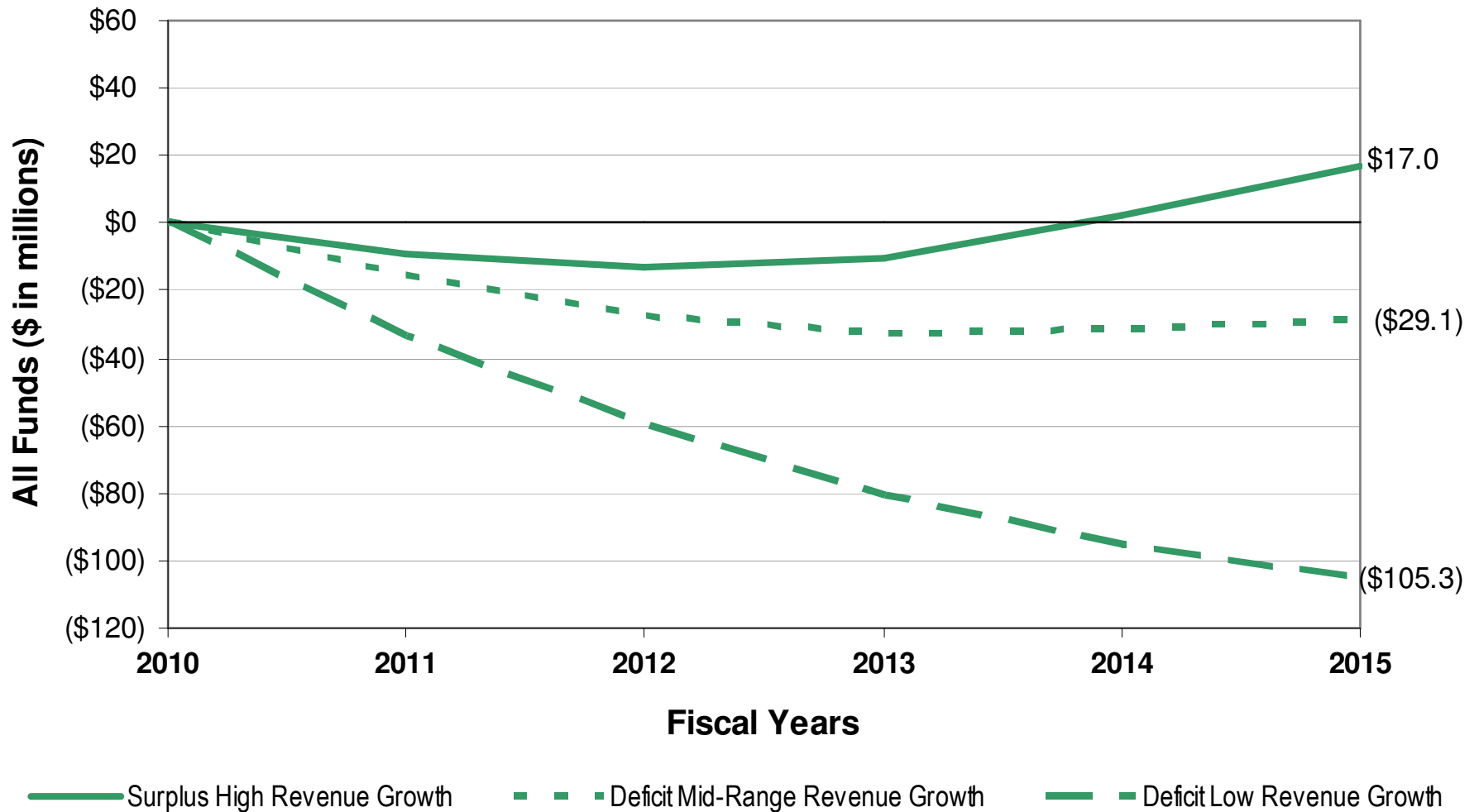
Long Range Forecast Scenario including Real Estate Assumptions

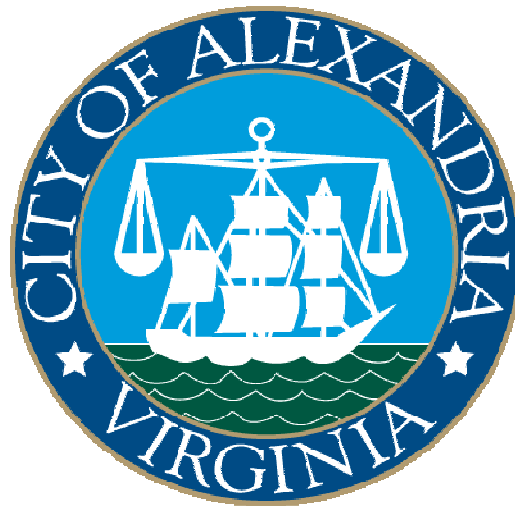


*Real Estate Property tax growth by fiscal year	Low Growth	Medium Growth	High Growth
FY 2011	-7.50%	-2.75%	-1.25%
FY 2012	-3.75%	0.00%	1.25%
FY 2013	-1.25%	3.00%	4.25%
FY 2014	1.25%	5.25%	7.00%
FY 2015	4.25%	6.00%	8.00%



Long Range Forecast Scenarios (with no future annual MRA's)





City of Alexandria

Taxes, Fees, and Other Revenues